Remarks by

The Honourable W. Darcy McKeough

Treasurer of Ontario

on Property Tax Reform

Ontario

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Few subjects are as complex as tax reform and there are few for which solutions are so hard to find.

It had been my hope that the document I am placing before you today would be in your hands last September. Over the past four months, my colleagues and I have been wrestling with the complexities of the property tax system, and trying to find solutions for existing problems which would not cause even greater problems elsewhere in the system. The whole process has taken very much longer than I had anticipated.

I will be frank: I am still not sure that we have yet found all the solutions. However, we are at the point where we need the advice and expertise of local government and, in particular, the intense study and help of a small group of local leaders. What I have in mind is a complete examination of our thinking to date, by 10 or 12 elected local government people chaired by myself, or on occasion, by my Parliamentary Assistant, George Ashe. The group would have at its disposal staff of my Ministry, the Ministry of Revenue and the Ministry of Education, as well as staff from municipalities and boards of education.

I would expect that the working group will come to conclusions not only on what an equitable and workable property tax system should look like, but also on how to move from the existing system to such a system. It would be my hope that it will be able to finish this work by 31st March 1978. Until I have the group's report, I do not intend to lay any proposals for legislation of any new property tax system before my colleagues in the Provincial Cabinet.

I need not tell you, as leaders of Ontario local governments, that the working group to which I just referred will not be the first group to study how to make our property tax system equitable. However, it is my hope that it be the last such group assembled before a comprehensive reform is put in place.

BACKGROUND TO REFORM

Major inequities in the property tax system and the need for tax reform were first documented in the Report of the Ontario Committee on Taxation (Smith Committee) in 1967. The Government reacted immediately to the most serious problems: high property tax burdens and inequities in the assessment base.

In 1968, the Residential Property Tax Reduction Program was introduced to generally reduce property tax burdens. Specific assistance programs for farmers and the elderly were introduced in 1970. The original property tax offset programs have since been replaced by tax credits which provide a greater concentration of assistance to low income families and individuals. As a result of these programs, together with generous Provincial grant enrichments which moderated mill rate increases, the real burden of property taxes on residences has fallen substantially over the past decade. Table 1 shows average residential property tax burdens throughout the Province for the period 1967 to 1976. Table 2 shows how the property and pensioner tax credit programs reduce the tax burdens of low income households.

AVERAGE RESIDENTIAL PROPERTY TAXES PER HOUSEHOLD, 1967 to 1976 Table 1

	1967	1970	1973	1976
	($)	($)	($)	($)
Municipal*	152	181	204	263
School Board	140	180	163	236
Gross Taxes	292	361	367	499
Property Tax Offsets	-	(65)	(88)	(115)
Net Taxes	292	296	279	384
Taxes as % of Household Income				
- Gross	3.3	3.2	2.6	2.5
- Net	3.3	2.7	2.0	1.9

*Includes special charges

PROPERTY TAX BURDENS ON SELECTED HOUSEHOLDS, 1967 and 1976 Table 2

Married Couple, No Children

	1967	1976
	($)	($)
Household Income	14,600	25,000
Gross Property Taxes	450	750
Property Tax Credits	-	-
Net Property Taxes	450	750
Net Property Taxes as % of Household Income	3.1	3.0

Married Couple, 1 Child Under 16

	1967	1976
	($)	($)
Household Income	8,800	15,000
Gross Property Taxes	300	500
Property Tax Credits	-	18
Net Property Taxes	300	482
Net Property Taxes as % of Household Income	3.4	3.2

Married Couple, 2 Children Under 16

	1967	1976
	($)	($)
Household Income	5,800	10,000
Gross Property Taxes	250	400
Property Tax Credits	-	116
Net Property Taxes	250	284
Net Property Taxes as % of Household Income	4.3	2.8

Married Couple Over 65

	1967	1976
	($)	($)
Household Income	2,520	6,500
Gross Property Taxes	250	400
Property and Pensioner Tax Credits	-	330
Net Property Taxes	250	70
Net Property Taxes as % of Household Income	9.9	1.1

The major cause of property tax inequities, when the Smith Committee reported, and still today, is the total inadequacy of the property assessments established prior to 1970. Not only were there inconsistencies in assessments between municipalities, but also between similar properties within a single municipality. In order to achieve equity between municipalities, and between property owners within each municipality, the Province effectively assumed the assessment function from municipalities in 1970, and at once began a province-wide reassessment at market value.

It was anticipated that this reassessment would be completed for taxation in 1975. However, assessment at market value was a lengthier process than originally expected. Just as a first province-wide reassessment was nearing completion in 1973, a second reassessment became necessary as the result of the rapid escalation in housing prices from 1972 onwards. Market value assessment rolls have nevertheless been returned and used for taxation at the request of some 120 municipalities, primarily in Bruce and Grey Counties, the District Municipality of Muskoka, and the Districts of Manitoulin, Algoma and Parry Sound.

As the second reassessment neared completion and data became available for analysis, the Government put out a set of tentative reform proposals in the form of Budget Paper E of the 1976 Ontario Budget. The Commission on the Reform of Property Taxation in Ontario (Blair Commission) was appointed to receive public input into the reform process. After a series of public meetings throughout the Province, the Commission presented its recommendations to the Government in March 1977. Since that time, responses to the Commission's Report have been received from a wide variety of individuals and groups. By far the most detailed was the very competent Brief received from AMO. I want to take this opportunity to express my appreciation to all those people who have taken the time to let the Government know their views on the Blair recommendations.

INEQUITIES IN THE EXISTING PROPERTY TAX SYSTEM

There are essentially six types of inequities in the present property tax system:

- Inequities in the distribution of Provincial grants
- Inequities in the apportionment between municipalities of the costs of upper tier municipalities, school boards and other cost sharing units
- Inequities in the tax burdens borne by different classes of properties
- Inequities in the tax burdens of similar individual properties
- Inequities in the treatment of government properties
- Inequities in the exemption of certain properties from property taxation.

Inequities in the Distribution of Provincial Grants

At least one half of the Province's total assistance to local governments, or over $1.5 billion per annum, is distributed on the basis of assessment.

To overcome the inconsistencies between municipal assessment bases, and the effect this has on grant distribution, the Province uses a system of equalization factors. Prior to 1969, these factors corrected some of the broad discrepancies in assessments. However, factors have not been changed since 1969 and now much of the equalization formerly achieved has been lost. Moreover, because of the way factors are calculated, those municipalities which, prior to 1969, had been most conscientious in keeping their assessments up to date, are now penalized by lower levels of grants.

The magnitude of existing grant inequities is substantial. For example, the City of Windsor, which performed a municipal reassessment in 1961, has not received millions of dollars of grants it would otherwise have been entitled to. In 1976 alone, it is estimated that the City of Windsor and its school boards would have received about $13 million more from the Province if grants had been distributed on market value assessments. This would have reduced the City's total tax levy by almost 17 per cent, and would have resulted in a savings in residential taxes of about $95 for the average family, owners and tenants alike.

In noting an example of a community which has suffered because of the delay in municipal tax reform, I should also point out that in correcting the situation, other communities will experience the reverse situation, with lower grants and higher local taxes being the result. Tax reform is a two sided coin.

Inequities in the Apportionment Between Municipalities of the Costs of Upper Tier Municipalities, School Boards and Other Cost-Sharing Units

Two thirds of all property taxes levied in Ontario, or about $2 billion per annum, are levied on behalf of school boards, upper tier municipalities (such as Metropolitan Toronto, regional municipalities and counties), and other cost sharing units. These bodies divide up, or apportion, their costs among the lower tier municipalities which support them (cities, towns, villages, etc.) according to the total equalized assessment of each lower tier municipality. For example, the share of Metropolitan Toronto's costs which is contributed by the City of Toronto depends on the ratio of the City's total assessment to the total assessment of the City plus the five boroughs which together form Metro Toronto. Where there are inconsistencies in the calculation of assessment totals for each municipality, and these are not corrected by the outdated equalization factors, then the way in which upper tier and school board costs are shared between the ratepayers of different municipalities is clearly inequitable.

Current apportionment inequities were recently highlighted by the City of Sarnia, using the example of its own school board costs. The City's share of Lambton County Board of Education costs is currently 45 per cent. Using market value assessment for apportionment purposes, the City concludes it should be paying about 38 per cent. The correction of this apportionment problem would have reduced the 1976 total tax levy in Sarnia by some $1.3 million, meaning a savings of about $35 for an average household in the City. Conversely, however, taxes in other municipalities which support the Lambton County Board of Education would rise as they assumed their fair share of school board costs.

Inequities in the Tax Burdens Borne by Different Classes of Properties

Two factors affect the distribution of property taxes between classes of property -- how they are assessed and how they are taxed. Tax treatment is based on explicit government policy decisions and is set out clearly in the taxation statutes. Differences in assessment treatment are camouflaged, unofficial and often overlooked. The present property tax base has inequities and anomalies due to outdated and inconsistent assessments, and to legislative provisions which do not reflect the current business environment.

All taxable real property can be classified as either residential or non residential. The Government has already indicated that, regardless of the total market value assessments for each of these categories, a change will be made to the taxing statutes to ensure that, in aggregate terms, residential properties will bear a smaller share of total property taxes than at present. There remain, however, major inequities between various classes of both residential and non residential properties.

Among residential properties, the main inequity is between single family dwellings and apartments. Municipal assessors generally assessed multi-family dwellings at a higher rate than single family homes. In addition, over the period 1972 to 1974, the value of single family dwellings rose far more than that of apartment buildings. As a result, the discrepancy between the tax treatment of single family dwellings and that of multiple units was magnified. At the present time, owners of apartments in many urban centres in Ontario pay approximately the same amount in taxes as owners of single family dwellings of twice the market value.

Taxes on apartment buildings are passed on to tenants and it is assumed that savings resulting from reduced taxes would also be passed on. For those tenants who are saving to buy homes, the unfairly high level of property taxes built into their rents at present impairs their achievement of that goal.

Distilleries provide an example of commercial properties which are discriminated against, both explicitly in the statutes and less obviously through assessment practices. While some may feel that the distillery business can afford high taxes, equity demands that we look at their situation fairly and objectively. The percentage of realty assessment used for business assessment on distillery properties is 140, compared to a range from zero to 75 for other properties. Moreover, the assessments on these properties are about 70 per cent higher than on other similar business properties. Financial properties are also unfairly taxed, through both a 75 per cent business assessment rate and relatively high realty assessments.

Inequities in the Tax Burdens of Similar Individual Properties

These are perhaps the worst form of inequity, because they result from discrimination between similar properties. The most blatant inequity occurs among single family residences: older houses in many municipalities are assessed at more preferential rates than the homes of young families in new subdivisions. The City of Toronto provides an example of a different form of inequity. Partial assessment exemptions were granted on the homes of World War I veterans within certain areas. Very few of these homes are now owned by the veterans, but the current owners of about 40,000 homes -- some of which are valued in excess of $150,000 -- pay up to $200 less per annum than if they owned newer houses of the same market value without partial exemptions.

Where two or more municipalities with different assessment practices are merged to form a single municipality, differences in property taxes on the same house in different locations in the new municipality can be staggering. Five former municipalities now form the new City of Cambridge in the Region of Waterloo. A sample of taxes on a typical $60,000 home shows a range from $700 to $1,640 in one of the former municipalities and from $900 to $1,275 in another. Clearly, there is little consistency within any of the former municipalities, and even less in the new City of Cambridge.

A different sort of inequity emerges in the case of farm residences. Because the assessment roll does not distinguish between a residence and farmland which is part of the same property, there is an inequity between farmers who have houses on their farms, and farmers who live elsewhere. Only farmers who live on their farm property have part of their residential taxes refunded through the farm tax rebate, and their total farm taxes taken into consideration in the property tax credits.

Inequities in the Treatment of Government Properties

The Provincial and Federal Governments are exempt from property taxes but often make payments in lieu of taxes on their properties. These payments are generally less than equivalent to full taxes and therefore place an inordinate burden on local revenues where there is a concentration of such property.

Local governments, with the exception of municipal enterprises, do not pay property taxes. Because of the uneven distribution of properties of upper tier municipalities, school boards and other local government organizations, some municipalities are shouldering the full cost of providing services to local government properties, while others are paying less than their fair share. Full taxation of local government properties would redistribute costs and correct this inequity.

To the extent that local governments, universities, hospitals and other publicly financed institutions do not pay property taxes, their costs of holding property are understated. Taxing their properties would therefore have the added benefit of putting the cost of new real property investments in a proper perspective. This could act as a restraint on their proclivity to purchase property and to build more expensive buildings than are needed.

Inequities in the Exemption of Certain Properties from Property Taxation

Charities and non-profit organizations are treated in a variety of ways for property tax purposes. The Red Cross is granted exemption by public statute; the individual Y's usually have to seek private legislation and the Legions can be exempted by municipal by-law. Exemption is often from full taxes, but in some cases school taxes must be paid. There are advantages and disadvantages to both exemptions and full taxation of these organizations, but whatever system is adopted, it should be consistent, comprehensive, and based on full awareness of taxes levied or foregone.

Cumulative Impact of Inequities

Each of these inequities in the present property tax system is a major problem in itself. The cumulative effect of more than one type of inequity on the taxes of a single type of property can be large. The case of apartments located in Sarnia is a good example. Inequities in the assessment base result in approximately 36 per cent over-taxation of apartments. Apportionment of school board costs on an equitable assessment base could reduce all taxes in the City, including those on apartments, by a further 6 per cent. Some apartment blocks would be overassessed relative to the average for all such properties, so that their total tax reduction could well be over 42 per cent.

Distilleries in the City of Windsor provide another example. Correction of assessment inequities through the taxation of all properties at market value would reduce taxes on distilleries by some 20 per cent. If the current business tax rates were rationalized, taxes on distilleries would decline a further 27 per cent. In addition, correcting inequities in grants to Windsor would reduce all taxes, including those on distilleries, by 17 per cent. While tax decreases of such magnitude may be unacceptable, differential treatment should be explicit in the taxing statutes.

In addition to being inequitable, the property tax system has a serious effect on other Provincial objectives. High taxes on apartments are reflected in higher rents and diminish the effect of the Provincial program to control rents. Low taxes on vacant land keep it out of development, making Government housing objectives harder to achieve. High taxes on certain industries and in certain areas could complicate Government initiatives to stimulate the economy, to encourage small business, and to redirect development east and north of Metro Toronto.

Reassessment without tax reform will lead to other equally major and likewise undesirable effects. The single family homeowner cannot be expected to bear the brunt of correcting past inequities in assessment as well as increases due to an unprecedented escalation in real estate values. Neither can small business, farmland or land-intensive recreational pursuits be put in jeopardy because of high property taxes. Yet reassessment without tax reform is the position in which the 120 municipalities already taxing on market value assessment find themselves. Theirs is a different set of problems and inequities in need of remedy.

AN ALTERNATIVE SYSTEM

I would now like to outline an alternative approach to the main problems of tax reform and reassessment. It takes into account the realities of the existing property tax system and the practical difficulties of moving away from the existing system to a "pure" system, of the sort outlined in Budget Paper E and the Blair Report.

The details of this alternative system are outlined in Appendix A, which also compares the system to the positions taken in Budget Paper E, the Blair Report, the AMO Brief and the other major responses to the Blair Report. The estimated overall results of taxing under the alternative system, on a province-wide basis, are shown in Appendix B.

Let me draw your attention to some main features of the alternative system.

Residential Properties

As previously recommended, residences would be taxed on 50 per cent of market value. On a province-wide basis, this would lead to a small decrease in the taxes of the average single family dwelling, and a very substantial decrease in the taxes of apartments and other multi-family residences. In Metro Toronto, because of the large number of apartment buildings which have major tax decreases, the net effect of the proposal is an increase in the taxes of single family dwellings. On the basis of our present data, this result appears confined almost exclusively to Metro Toronto.

Increases in average taxes on single family dwellings are not acceptable to me, and I am therefore asking the working group to come up with some alternatives for Metro which will avoid this result.

Business Assessment Rates

Budget Paper E and Blair both suggested a single rate of 50 per cent. The AMO Brief, among other responses to Blair, indicated that some differentials would be acceptable on an interim basis to avoid major tax shifts. In light of the latest figures available, there is merit in the AMO position, and the alternative system proposes the following business assessment rates for the first five years of property tax reform:

Business currently at:	would be assessed at:
140%	140%
75%	100%
60%	90%
50%	60%
30%	30%
25%	30%

At the end of five years, these rates would be reviewed with a view to arriving at a standard rate.

Farms

The alternative system calls for all taxes on farmland, farm buildings, managed forests and managed marshes to be paid by the Province, in a lump sum payment, to each municipality.

Golf Courses

Of all the recommendations of the Blair Commission, this was the one which attracted the most public attention and response. The effect of the Blair proposals on many golf courses, particularly those in urban areas, would be extreme to say the least. Accordingly, I have worked closely with the Ontario Golf Association to develop two options for calculating property taxes on golf course land. Under the alternative system, taxes would either be based on market value assessment or calculated using a sliding scale of maximum taxes per acre related to market value. The second option would be subject to negotiations between municipalities and individual golf courses, and to such terms and conditions as they may agree upon.

The working group may also wish to look at the possibility of providing similar arrangements for properties used for other land-intensive recreational purposes, in order to avoid excessive tax increases.

Exempt Properties

Churches, cemeteries and Indian lands would continue to be exempt. This is at variance with the position taken in the AMO Brief but I believe it makes sense, nevertheless. In addition, I believe that charities and private schools, which are presently exempt from property taxes, should continue to enjoy their exemptions. There are some charitable organizations which are presently paying some property taxes, e.g. the Navy League and some Y's. For consistency, these organizations would be fully exempt. I might add that full taxation of all charities and private schools would yield less than $50 million per annum on a province-wide basis.

Accountability to Taxpayers

The one statement of the Blair Commission which aroused most comment among local government leaders, but little from elsewhere in the community, was the recommendation that local government expenditure guidelines be set by the Province during the first year of property tax reform. This, I believe, is a useful recommendation in terms of ensuring full accountability of both the Province and local governments during the period of implementation of any new system. Accordingly, the Blair recommendation is included in the alternative system.

CONCLUSION

The working group referred to earlier will, I hope, take a very close look at the alternative system laid out in Appendix A, together with the municipal and school board data which is being made available today and over the next week. I am looking to the group for some concrete ideas, not only on the property tax system and how to implement market value assessment, but also on where and how Provincial grants to local governments could be cut back in order to finance the increase in Provincial payments in lieu of taxes under market value assessment. This is an important issue in its own right, but with the Report of the Grants Reform Committee now in hand, I am confident that local government leaders will be able to make some firm recommendations to the Government. Once the local level of government has clearly indicated its preferences with regard to both property taxes and grants, the Province will be able to move to the next step in implementing what I believe to be an already overdue reform of local government finance.

I said at the start of my remarks that property tax reform is complex and admits to no easy solution. However, I would not have you believe that reform of the system is too complex to handle, nor that solutions are too hard to find. In particular, the working group I have referred to today does not represent a further delay in reform nor a shift to the local level of tough decisions. It is my belief that the alternative system does represent, subject to adjustment and refinement no doubt, a viable basis for reform. Nevertheless, it is local government taxes I am talking about. I am therefore looking to the local government working group for some positive recommendations on an acceptable system we can put into place together.

Finally, may I stress what this audience knows well; though it is difficult to design any new system, the really tough part is not the design, but the explanation of why the new system is so much better than the old. When the working group comes up with its ideas on what the new system should look like, all of us will have to explain why and how it is better than our existing patchwork of inequities. Some municipalities and school boards will want to know why their grant increases are not as large as the increases of other municipalities and boards. Many lower tier municipalities will be curious as to why their shares of school board and upper tier costs appear to be increasing. Most important, some ratepayers will demand to know why their taxes have gone up while their neighbours' have apparently gone down. These are legitimate questions, for which fully acceptable explanations will have to be given. While factual explanations will be readily available, it will not be easy to express them adequately, especially to ratepayers who, for wholly understandable reasons, regard "equalization factors" and "apportionment ratios" as just so much bureaucratic mumbo jumbo.

A wise politician -- probably someone involved in the income tax reform debate around 1970 -- once remarked something to the effect that "Never make a speech on taxes unless it's to announce a decrease". I have disregarded that advice today, because of the seriousness of the inequities in the existing system. If we are to have an equitable property tax system in Ontario, then we all owe it to our citizens and ratepayers to ignore that advice until the merits of whatever new system is decided upon are well understood throughout the Province.

When leaders of Ontario's local governments met with the Premier and myself only two weeks ago, they stressed that a comprehensive and equitable reform of local government finance could only come from full Provincial and local co-operation and partnership on an ongoing basis. The Premier indicated his complete agreement with this approach, and I also believe this is the only effective way to get meaningful changes implemented. The working group on property tax reform reflects a concrete Provincial commitment to this process, and I look forward to its first meeting.

This statement is being distributed today to all Members of the Legislature and to all municipalities and school boards. Information is being released showing the effects of the alternative system and market value assessment on each municipality and school board. Analyses for about 500 municipalities and their associated school boards are being made available today; the remaining analyses will be distributed over the next week.

I am asking each municipality and school board to review the figures for their area and to give me their reactions and recommendations as soon as possible. I would ask that I receive comments by not later than the end of February, so that the working group can give them full consideration before the finalization of its report in March.

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APPENDIX A

COMPARISON OF

PROPERTY TAX REFORM PROPOSALS

Budget Paper E

- The Government's initial proposals for reform of the property tax system as laid out in Budget Paper E of the 1976 Ontario Budget. The paper set out 15 proposals for reform.

Blair Commission's Recommendations

- Recommendations contained in the Report of the Commission on the Reform of Property Taxation in Ontario. The Commission, chaired by W.L. Blair, was set up to review and receive public submissions on the proposals laid out in Budget Paper E.

AMO Response to Blair

- AMO is the Association of Municipalities of Ontario. The Association provided the most detailed response to the Blair Commission Report.

Other Responses to Blair

- Only responses which disagree with the Blair Commission's Recommendations are shown.

- Respondents are denoted in text as follows:

  1. City of Windsor, June 30, 1977
  2. Association of Counties and Regions of Ontario (ACRO), June 24, 1977
  3. Rural Ontario Municipal Association (ROMA), July 4, 1977
  4. Municipal Liaison Committee (MLC), July, 1977
  5. Ontario Federation of Agriculture (OFA), July, 1977
  6. City of London, July, 1977
  7. City of Waterloo, August, 1977
  8. Ontario Golf Association, November, 1977
  9. Borough of York Board of Education, November, 1977
  10. Borough of Scarborough, December, 1977
  11. City of Toronto Board of Education, October, 1977

Alternative System

- System outlined by the Honourable W. Darcy McKeough on January 4, 1978.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
1. Taxes on Residences				
Residences, collectively, will bear a reduced share of property taxes.	R1 That residential property together with a reasonable amount of land be subject to a taxable assessment of 50 percent of its market value.	Agree.	Reductions in residential taxes may vary among municipalities. (9)	All residences, plus a reasonable amount of land be subject to taxation on 50 percent of market value.
The text suggested that 50 percent of market value would be an appropriate level to achieve the proposed objective.	R2 That the appropriateness of the residential market value percentage be reviewed by means of monitoring the real estate market, and that if necessary this percentage be revised each two years, coinciding with the return of assessment rolls.	Agree.	Disagree for farm residences which should be assessed at productivity value. (5)	This percentage be monitored and if necessary revised each two years.
	R3 That necessary revisions in this percentage be made in increments of no less than 5 percentage points.	Agree.		Revisions in the percentage be in 5 percentage point amounts.
	R4 That, where taxes change as a consequence of tax reform, legislation be enacted to provide that notwithstanding existing contractual obligations, an owner may increase rental charges in the amount of such an increase in taxes, while a tenant may claim from the owner any such decrease in taxes; and that this provision operate during the term of any existing lease or for a period of five years, whichever is the shorter.	Agree in principle. Equitable treatment for both tenant and landlord.	Agree in principle but tenants should be made aware of taxes paid. (2)	Provision be made to ensure that tenants share in tax decreases or increases.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
1. Taxes on Residences (cont'd)				
	R5 That mobile homes which qualify as real property and a reasonable amount of land be subject to a taxable assessment at 50 percent of their market value as are all other residences, and that those which would not meet the real property test, be subject to a licence fee of up to $20 per month, regardless of location; and that the aggregate yield of such licence fees then be distributed to each of the bodies entitled to share therein, in the same proportion as they would have shared had the mobile home been taxable residential property.	Agree in part. If a licence fee is to be charged, the fee level should be determined by the local council.	Same as AMO. (1) Fee level should be determined by both lower and upper tier councils. (2, 4)	Mobile homes which are assessed be taxed in the same way as all other residences; other mobile homes be subject to licence fees.
2. Residential Property Redefined				
Residential property will be redefined to include only residences and a reasonable amount of land.	R1 That the practical consideration of what constitutes a reasonable amount of land to be included in the residential class in each instance be judged on the individual circumstances.	Agree, provided that the land for a single family residence not exceed one acre.	Same as AMO. (4) Disagree that vacant residential land be taxed at 100% of market value.(1)	Residential property be defined as residences and a reasonable amount of land.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
2. Residential Property Redefined (cont'd)				
The inference in the text was that golf courses would be taxed on 100 percent of market value with no provision for tax deferrals.	R2 That existing legislation, empowering municipalities to enter into fixed assessment agreements with golf courses be rescinded and be replaced with legislation which will permit the owner of such recreational property as described, to apply to the local municipal council for a deferment of up to 50 percent of the total property tax (other than local improvement charges) applicable to the relevant land only; and that the deferred taxes be accumulated on the books of the municipality, together with simple interest thereon at the weighted average annual bank prime lending rate, to be recoverable upon the sale of that land for purposes other than its current use or upon its conversion to other uses.	Agree but the deferred taxes must be charged against all levying bodies.	Deferred taxes be shared by all levying bodies. (1, 2, 4) There should be a 10 year period for the recovery of deferred taxes. (3) The Province to provide relief on the deferral of taxes. (6) Disagree with whole approach to golf courses. (8)	For taxes on golf course greens and fairways, the municipality and the owner negotiate which of the following options will be used to calculate property taxes: (a) market value assessment times the total mill rate, or (b) a tax per acre which increases as the market value assessment per acre increases. Such a tax rate would range from $25 per acre on a market value per acre of $2,000 or less to $260 per acre on a market value per acre greater than $150,000. A similar approach be worked out for certain other land-intensive resort and recreat ional properties.
Railway rights of way would be taxed at 100 percent of market value.	R3 That Section 38(2) of The Assessment Act be rescinded, and that railway rights of way be assessed at a market value related to the characteristics of such property.	Market value should apply without qualif- ication.		Railway rights of way be taxed on 100% of market value.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
2. Residential Property Redefined (cont'd)				
	R4 That all real property owned by a railway, including railway buildings and other similar structures, but not including bridges, be assessed at and taxed on 100 percent of its market value.	Agree.		All railway real property, excluding bridges, be taxed on 100% of market value or on 50% of market value in the case of residences.
Lodges, clubs and associations would be assessed at and taxed on 100 percent of market value.	R5 That property owned by lodges and associations such as described, be assessed at and taxed on 100 percent of its market value.	Agree.		Lodges, clubs and associations which are currently taxable be taxed on 100% of market value.
	R6 That permissive legislation, which allows for favoured tax treatment of property owned by the Navy League, and the Canadian Legion, and other veterans' associations be withdrawn, and that such property be assessed at and taxed on 100 percent of market value.	Agree.		Existing exemptions be allowed to continue and the treatment of charitable organizations currently paying full or partial taxes be reviewed to provide consistency.
	R7 That rates applied per foot of length of pipeline be reviewed and revised each two years, coinciding with the return of assessment rolls so that these rates may reflect the relative change in the market value of other real property.	Agree.		Pipeline rates be reviewed and revised each two years.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
2. Residential Property Redefined (cont'd)				
	R8 That all real property owned by a conservation authority be assessed at and taxed on 100 percent of market value except where such property is residential property as defined, in which case the taxable assessment is to be 50 percent of market value at inception, and except that where such property is farmland or a managed forest, it be treated in accordance with our Recommendations as outlined under Proposal 4.	Agree, but grants to conservation authorities should not be limited because of revenue producing capabilities of some authority lands.	Same as AMO. (2, 4)	Real property of a conservation authority be taxed on 100% of market value or on 50% in the case of a residence. Farmland, managed forests and marsh land be treated in the same way as similar privately owned properties.
	R9 That such part of a home for the aged or a nursing home as is used for residential purposes together with a reasonable amount of land carry a taxable assessment at 50 percent of its market value, while such part as is used for administrative purposes, carry a taxable assessment at 100 percent of its market value.	Agree.		Homes for the aged and nursing homes be taxed on 50% of market value.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
3. Mill Rates				
The present practice of levying different mill rates on residential and commercial properties will be discontinued.	R1 That the present practice of levying different mill rates on residential and commercial properties be discontinued.		Disagree. Prefer present differential mill rate system to taxing properties at a percentage of market value. (3)	Differential mill rates be discontinued.
4. Farms and Managed Forests				
Farmlands, farm buildings, managed forests and farm residences will be assessed at market value. Farmland, farm buildings and managed forests will be taxed at 100 percent of market value and the taxes will be paid by the Province.	R1 That farmland, together with farm buildings be assessed at 100 percent of market value, and that the farmer pay 10 percent of the resulting property tax, while the remaining 90 percent be paid by the Province.		Province should pay 100 percent of the farm taxes. (2) Farm property be assessed at productivity value. (5)	Farm buildings, farmland, managed forests and marsh land be assessed at market value but be exempt from taxation. The Province make compensation to municipalities for taxes foregone on such property.
Farm residences will be taxed as all other residences at 50 percent of market value and the taxes will be paid by the owner. There will be provision to recover taxes paid by the Province if the property changes use. The text suggested a recovery period of 10 years.	R2 That legislation be enacted to provide for a surcharge payable by the owner of farmland who converts its use to purposes other than farming, and that the surcharge be calculated as the property taxes paid by the Province during the 10 years preceding such change in use, together with simple interest thereon at the weighted average annual bank prime lending rate.	Agree, but reference to "surcharge" should be changed to "deferred taxes".	Same as AMO. (4) Do not support concept of "surcharge" on the change of land use. (5) Farmland and buildings be non-taxable and the Province make a grant to the municipality equal to foregone taxes. (5)	Any recovery of taxes be through a revised land speculation tax.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
4. Farms and Managed Forests (cont'd)				
Eligibility for the proposed treatment would be based on criteria similar to those as presently exist for the Farm Tax Reduction Program.	R3 That for the purposes of the Recommendations in respect of farmland and the farm buildings thereon, assessable farm real property be defined as such land and buildings as are being used as part of a farm operation that produces farm products valued at not less than $2,000 in a normal productive year.	Agree.		Qualification for exemption be based on the criteria for the current Farm Tax Reduction Program until reviewed by the Ministry of Agriculture in conjunction with the Federation of Agriculture.
Managed Forest Tax Reduction Program will be replaced by taxation at 100 percent of market value with the taxes paid by the Province. Eligibility will be based on criteria similar to those for the current Managed Forest Tax Reduction Program.	R4 That the Recommendations made in respect of farmland and farm buildings be made to apply to managed forests, and that a managed forest be defined employing the criteria now in use for purposes of the Managed Forest Tax Reduction Program.	Agree.	Further review be made with regard to the exemption of forests which form part of a farm. (5)	Exemption of managed forest land be based on the criteria for the current Managed Forest Tax Reduction Program. Criteria be developed for eligibility of marsh land.
	R5 That where farmland ceases to be farmed in the event of the death of a farmer or spouse and the survivor continues to reside on the property, the lack of use of the farm shall not constitute a change of use. Similarly, where a farmer retires from farming due to age or infirmity but continues to reside on the farm, lack of use shall not constitute change of use.	Agree.		Farm land continue to be exempt from taxation for a period of three years.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
4. Farms and Managed Forests (Cont'd)				
Farm residences be taxed as all other residences at 50 percent of market value, with the taxes paid by the owner.	R6 That a farm residence, together with a reasonable amount of land, be taxed on 50 percent of market value, and that the tax be paid by the owner.	Agree, but reasonable amount of land should not exceed one acre.	Same as AMO. (4)	Farm residences together with a reasonable amount of land be taxed on 50% of market value.
Owners of farmland and managed forests will make application to the treasurer of the municipality in which the property is located to have tax bill sent to the Province.	R7 That the municipality, upon application by the farmer, submit to him for payment the billing for property taxes in respect of 90 percent of the farmland and the farm buildings thereon, and which in the absence of such an application would have been submitted to the Province for payment.	Agree. Billing the Province could be available through computer printout.		The Province make payments directly to municipalities.
5. Business Assessment				
All real property used for the purpose of a business, including government administrative facilities, will be subject to an additional assessment of 50 percent of market value for business taxes.	R1 That there continue to be a business assessment; and that the business tax be levied upon the occupant of real property who conducts therein an activity with a view of profit as defined; and that the business assessment be computed at a percentage of the market value of that real property.	Agree.	Disagree. A new base be developed to justify the business tax. (6)	For an initial 5 year period the following rates apply: Business Presently Subject To — Be Subject To 25% — 30% 30% — 30% 50% — 60% 60% — 90% 75% — 100% 140% — 140%

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
5. Business Assessment (cont'd)				
	R2 That the Provincial Government explore the feasibility of amending existing statutes so as to grant preferred creditor status to municipalities in respect of a default in the payment of business taxes, but that the business tax not constitute a lien upon real property.	Agree.	Prefer business tax as a lien upon the property. (1)	The provision for the collection of business tax be strengthened.
	R3 That the business assessment apply to that part of the real property that is actually occupied for the conduct of the business and a reasonable amount of land required for that purpose; and that the business assessment not apply to land in excess of this requirement.	Agree.	Agree, provided that parking lots are included in "a reasonable amount of land". (2, 4)	Business assessment only apply to real property actually used for the purposes of a business.
	R4 That the business tax apply even though the business may be conducted in real property which is exempt from real property assessment or taxation.	Agree.		Business assessment apply to all real property actually used for the purposes of a business.
Properties presently exempt from business tax would remain exempt from business tax.	R5 That no exemption from business tax apply by reason of service or sale to a clientele restricted by a stipulation of membership, or any other stipulation.	Agree.		Where a business is being carried on, a business assessment be applied.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
5. Business Assessment (cont'd)				
	R6 That the business tax not be applied with respect to government administrative facilities, but that it be applied to such organizations as have the character of a business.	Agree.	Disagree that government facilities be exempt from business tax. (1)	No business assessment apply to government administrative facilities. Government businesses be subject to a business assessment at the rate applicable to such business.
Single rate at 50 percent of market value.	R7 That a single business assessment rate at 50 percent be applied to the market value of real property as described in our discussion under Proposal 5, and that Section 7 of The Assessment Act be revised accordingly.	For the first 5 years a differential rate is suggested as a transition to the single rate.	Same as AMO. (3, 4) Differential rate to apply during implementation to avoid major tax shifts. (2, 7)	After the initial 5 year period, the 5 rates be reviewed with a view to arriving at a single rate.
	R8 That, as in the case of rental residential property, legislation be enacted by which a landlord may pass to a tenant a real property tax increase resulting from property tax reform, and by which a tenant may claim from a landlord a real property tax decrease resulting from property tax reform; and that this operate regardless of existing contractual obligations; and that these rights be limited to the unexpired time period of an existing lease contract, or five years, whichever is the shorter.	Agree in principle. Equitable treatment for both tenant and landlord.		Provision be made to ensure that tenants share in tax decreases and increases.

Budget Paper E		Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
6. Public Property					
All public property except residences will be subject to payments in lieu of taxes equal to full taxes at 100 percent of market value. Public residences will be subject to payments in lieu of taxes equivalent to full taxes at 50 percent of market value. Public utilities will be subject to business assessment at 50 percent of market value.	R1	That all public property be subject to payments in lieu of taxes in the manner suggested in this Report, and that a business tax apply to public utilities and government businesses.	Agree.		Public residences be subject to full equivalent payments in lieu of taxes on 50% of market values; all other property on 100% of market value. Municipal public utilities be subject to business assessment at 30%.
No limit on payments in lieu of taxes suggested.	R2	That there be a provision limiting provincial payments in lieu of taxes to a specified part of the local tax levy (excepting local improvement charges), and that a similar limitation be provided in respect of payments in lieu of taxes made by the Federal Government.	Disagree that a limit be put on payments in lieu of taxes.	Same as AMO. (2, 3, 4)	For 5 years after implementation, the Minister have the power, by regulation, to limit or enhance the amount of payments in lieu of taxes including payments in respect of farms, forests and marsh property.
Unpatented lands, cemeteries and highways would continue to be exempt.	R3	That the Provincial Government examine the incidence of disproportionate costs arising out of operations conducted on unpatented land and make separate provision in the grant structure to alleviate the pressure on ratepayers in these circumstances.	Reform of property tax is not an appropriate context within which to consider the Blair recommendation.	Same as AMO. (4)	Unpatented lands, cemeteries and highways continue to be exempt.

Budget Paper E		Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
7. <u>Exempt Property</u>					
As is the present case, churches, cemeteries and property held in trust for a band or body of Indians will be exempt. All other presently exempt property will be taxed at 100 percent of market value, except residences which will be taxed at 50 percent of market value.	R1	That such real property as is actually used as a place of worship, together with only such land as is essential to that purpose, be exempted from taxation; and that convents and religious seminaries, together with such land as is necessary to their operation, including land for the production of food consumed in such a convent or seminary and is contiguous thereto, be exempted from taxation.	Disagree. Places of worship, convents and seminaries be subject to tax. Local council may grant a deferral to be charged against all levying bodies and there be a recovery of taxes in the event of change of use.	Lands used for food production by convents and religious seminaries should be taxed. (3)	Present exemptions in respect of churches, cemeteries and property held for a band or body of Indians to continue. Vacant land and farmland which are presently taxable continue to be taxable.
	R2	That legislation be enacted to permit a municipality to impose, at its option, a user fee upon a church, a convent or a religious seminary, in respect of direct municipal services rendered to such a body.	Not necessary as there is already such legislation.	Same as AMO. (2, 4) Churches to pay tax on their land holdings. (7)	Legislation now permits charges for sewer, water and garbage rates but this cannot be limited to individual properties.
	R3	That cemeteries continue to be exempt from taxation.	Disagree. Same as churches.		The present exemption of cemeteries to continue.
	R4	That assessment values of places of worship, convents and religious seminaries together with the related land, and of cemeteries not be added to total assessment values for grant distribution purposes.	Agree in principle. If tax deferral given, assessment should not be included for grants.		Assessment which continues to be exempt from taxation be excluded for grant distribution.

Budget Paper E		Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
7. <u>Exempt Property</u> (cont'd)					
	R5	That land held in trust for a body or band of Indians be exempt from assessment to tax.	Agree with Budget Paper and Blair.		Land held in trust for a body or band of Indians be exempt from assessment.
	R6	That exemptions not be partial, but be in respect of all property taxes for whatever purpose.	Disagree. The level of assistance should be determined by the levying body.	Same as AMO. (2, 4)	For consistency, all exemptions be in respect of full taxation.
Charitable & non-profit organizations would be subject to full taxation and assistance be given in the form of grants.	R7	That exemption from taxation in certain circumstances continue to apply to charitable and non-profit organizations as evidenced by the nature of their activities; and that such exemptions remain in effect for a period of up to, but not exceeding, five years.	Charitable & non-profit organizations be taxed and each levying body determine if assistance is to be given and at what level. Province form a registry of properties for which Province will pay taxes.	Same as AMO. (4)	Existing exemptions be allowed to continue. The treatment of charitable and non-profit organizations currently paying full or partial taxes be reviewed to provide consistency. Registry unnecessary as exemptions to continue.

Budget Paper E	Blair Commission's Recommendations		AMO Response to Blair	Other Responses to Blair	Alternative System
7. Exempt Property (cont'd)					
	R8	That an Exemption Review Committee be established, on which shall serve a representative of each of a municipal council, a public school board, a seperate school board, a county or a regional government as the case may be, and as have an interest in the taxation of the real property in respect of which an exemption is requested.	No comment as propose an entirely different system.	Same as AMO. (2) No need for the Exemption Review Committee. (4) Support Exemption Review Committee with addition of a member from the public. (10)	Exemption Review Committee would be unnecessary.
	R9	That the decision of the Exemption Review Committee be determined by a majority vote, and that in the event of a tie, the chairman must break that tie.	No Comment.		
	R10	That the decision of the Exemption Review Committee not be subject to appeal by the requesting organization, nor by such municipality, public school board, seperate school board or upper tier body as may have participated in that decision.	No comment.		
	R11	That the assessment at market value of the real property exempted from tax by the Exemption Review Committee, continue to be included with taxable assessment for grant purposes.			Assessment which continues to be exempt from taxation be excluded for grant distribution.

Budget Paper E	Blair Commission's Recommendations		AMO Response to Blair	Other Responses to Blair	Alternative System
7. Exempt Property (cont'd)	R12	That a municipality may continue to make such grants as are currently permitted, and that such grants not bear upon any other local body or school board.	No comment.		The present provisions permitting municipalities to make grants continue.
	R13	That tax exemptions of real property such as now exist, be continued throughout the year immediately following the implementation of property tax reform, and that where assessment related to such real property is not now included for grant purposes, it not be included during the course of that year.	No comment.		
	R14	That the aggregate annual cost, as measured by the tax foregone for all purposes in respect of such exempted real property as is owned by charitable and non-profit organizations, be provided to each affected ratepayer.	Agree but suggest that publication in news media would be sufficient.	Same as AMO. (2)	Aside from rationalizing the current exemption provisions to cover partial exemptions and certain anomalies such as the Y's, no further changes be made at this time.
	R15	That all statutory exemptions of the property tax be repealed, except those referred to in Recommendations R1, R3, and R5, but including those arising from private members' bills; and that in future, a private bill or a private member's bill seeking an exemption from property taxes, not be enacted.	Agree in principle. Present legislation would interfere with AMO recommendation.	Same as AMO. (2)	Any further exemptions from taxation be discouraged.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
7. <u>Exempt Property</u> (cont'd)				
The exemptions would be removed from private schools and they would be subject to full taxes.	R16 That exemptions from property tax, heretofore extended to private schools be removed and that the real property owned by private schools carry a taxable assessment at 100 percent of its market value; and that where such property is residential property it carry a taxable assessment at 50 percent of its market value.	Agree.		Present exemptions in respect of private schools continue.
	R17 That the Provincial Government, upon implementation of property tax reform pay grants to private schools in the precise amount of the property tax paid by such private schools.	Agree.		
	R18 That the Provincial Government keep account of all such payments to private schools, and that the Government reclaim a maximum of 10 years' payments, together with simple interest thereon at the weighted average annual bank prime lending rate, in the event of a sale of the relevant real property of such a private school, except where all of the net proceeds of such a sale are used for education purposes in the Province of Ontario.	Agree but do not think there should be a 10 year limit on recovery.	Same as AMO. (4)	

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
7. Exempt Property (cont'd)				
	R19 That in the alternative, exemption from a tax on real property continue to apply in respect of real property owned by a private school; and that the assessment at 100 percent of the market value of such real property be included in the assessment for grant purposes; and that the Government pay a grant to an affected local government in the amount of the tax it has foregone perforce of the exemptions; and that such a grant be paid in addition to grants which would otherwise apply.	Disagree. Prefer to eliminate exemptions and follow procedure in Blair recommdations R16, R17, and R18 (with suggested change).	Same as AMO. (4)	Assessment which continues to be exempt from taxation be excluded for grant distribution.
All public property would be taxed except unpatented lands, cemeteries and highways.	Propose that highways continue to be exempt.	Agree with Budget Paper and Blair.		Highways continue to be exempt.
	Suggest that the Government study the financing of mining municipalities but do not recommend that ore bodies be assessed and taxed.	Agree.	Province should undertake and complete the study within the next 5 years. (2,4)	Defer beyond property tax implementation. If there is a problem it should be corrected through grant mechanisms.

Budget Paper E		Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
8. <u>Phasing-in Tax Reform</u>					
A uniform method of phasing-in the new tax system over a period of up to five years will be available to prevent abrupt tax changes.	R1	That a uniform method of phasing-in the new tax system over a period of up to five years be available to prevent abrupt tax changes.	Agree but system must be flexible and at municipality's discretion.	Same as AMO. (2, 4, 6) Five years must be allowed for phasing-in. (11)	Present legislation provides for discretionary 1 to 5 year phase-in.
9. <u>Return of Assessment Rolls</u>					
Assessment rolls will be returned and enumeration will be performed every two years to coincide with local government elections.	R1	That assessment rolls be returned and enumeration be performed every two years to coincide with local government elections.	Agree that returns coincide with municipal elections but should be a retroactive adjustment to per capita grants.	Same as AMO. (4)	Assessment rolls be returned and enumeration performed every two years.
	R2	That the annual right of appeal be maintained and that taxpayers be advised in the off-year of this right by means of notices published in local newspapers, setting out the dates in which an appeal may be lodged.	Agree.	Should publish the appeal notice in the tax bill instead of the local paper. (3, 4) Delays due to the number of appeals could have a detrimental effect on local government cash flow. (11)	Annual right of appeal be maintained.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
9. Return of Assessment Rolls (cont'd)				
	R3 That continuous updating of assessment information take place, including updating in respect of changes in the designation of school support.	Agree.	Recommend a yearly updating with a detailed assessment undertaken every 5 years. (6)	Assessment rolls be continually updated.
	R4 That an updated roll be forwarded in each off-year to all local bodies.	Agree.		Updated assessment rolls be provided to all local bodies each year.
10. Government Property School Support				
Assessment on Provincial Government property will be pooled and assigned between the public and separate elementary schools in the same proportion as the taxable assessment assigned by the owners and occupants of residences.	R1 That assessment of all government property be pooled and assigned between the public and separate elementary schools in the same proportions as the taxable assessment assigned by the owners and occupants of residences; and that the pooling of taxable assessment be extended to incorporate all taxable assessment in respect of which a senior government will make payments in lieu of taxes.	Agree that this is a fair method.		Assessment of all government property be pooled and assigned between public and separate elementary schools in the same proportions as the taxable assessment assigned by owners and occupants of residences.
	R2 That public school boards and separate boards each be permitted to assign the taxable assessment of their own real property to the support of their respective school systems.	Agree.		Public and separate school boards be permitted to assign the assessment of their own real property to the support of their respective school systems.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
11. <u>Shared Costs</u>				
Costs shared among municipalities will be shared on the basis of the assessment on which taxes and payments in lieu of taxes are based. This would not preclude agreements to share the cost of specific projects.	R1 That costs shared among municipalities be shared in the manner suggested in this Report. (The suggested manner includes provision for alternative means of sharing for certain projects.)	Agree.		Costs shared among municipalities be on the basis of assessment on which taxes and payments in lieu of taxes are based. Provision for alternative means of sharing the cost of specific projects be continued.
12. <u>Grants Based on Assessment</u>				
Where assessment is to be used to determine the grant to be paid to a municipality, the assessment used will be the assessment on which taxes and payments in lieu of taxes are based.	R1 That where assessment is to be used to determine the grant to be paid to a municipality, the assessment used be the assessment on which taxes and payments in lieu of taxes are based, in the manner suggested in the Report.	Agree.	Where a redistribution of grants among individual school boards occurs that it be phased-in over a 5 year period. (11)	Where assessment is used to determine grant distribution, the assessment be the assessment on which taxes and payments in lieu of taxes are based.
13. <u>Unorganized Areas</u>				
The provisions of The Assessment Act will apply to the assessment of all real property in Ontario, including areas without municipal organization.	R1 That the provisions of The Assessment Act apply to the assessment of all real property in Ontario, including areas without municipal organization.	Agree.		Defer, except that where a school board encompasses organized and unorganized areas, market value assessment and the alternative system of taxation apply to the whole board.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
14. Grant Supported Bodies				
Public bodies which receive Provincial grants, such as school boards, will be allowed to include their property tax payments as allowable expenses for grant purposes.	R1 That public bodies which receive provincial grants, such as school boards, be allowed to include their property tax payments as allowable expenses for grant purposes, and that existing grant ceilings be revised so as to ensure that the property tax outlay of grant supported bodies attract the same grant support as do other grant supported expenditures.	Agree.		Property tax payments be eligible expenditures for grant purposes.
15. Property Tax Credit				
Ontario's property tax credits which relate property taxes to the ability to pay will, if necessary, be strengthened upon implementation of the new system.	R1 That The Municipal and School Tax Credit Assistance Act be replaced by a more effective measure.	Agree, but also suggest a review of Municipal Elderly Resident's Act.	Same as AMO. (2, 4)	The need to continue the Municipal and School Tax Credit and Municipal Elderly Resident's Assistance provisions be reviewed.
	R2 That the Ontario Pensioner Tax Credit be replaced by a more effective measure.	Agree.		The Ontario Pensioner Tax Credit be enhanced.
	R3 That "Taxable Income" not be used for the purpose of the Ontario Property Tax Credit and that instead, "Total Income less Total Personal Exemptions" be used for this purposes.	Agree.		

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
15. <u>Property Tax Credit</u> (cont'd)				
	R4 That support by means of the Ontario Property Tax Credit be confined to 90 percent of the property tax related to an owner-occupant of residential real property; or to 90 percent of 10 percent of the total rent paid in a year by a tenant of residential real property.	Agree.	The individual taxpayer should not be required to wait a year for a rebate. (11)	The Ontario Property Tax Credit be reviewed and, if necessary, strengthened.
	R5 That the existing maximum of $500 in respect of the Ontario Tax Credit System be removed; and that no arbitrary ceiling be established for purposes of an occpancy cost tax credit, other than the one implicit in these Recommendations.	Agree.		
	R6 That for purposes of the Ontario Occupancy Cost Tax Credit, a schedule be included with the individual income tax return, so as to permit a progressively larger amount of support as income for this purpose diminishes.	Agree, but also that adequate resources for assistance for moderate income levels be maintained and/or enhanced.	Same as AMO. (2, 4) Occupancy Cost Tax Credit will offer little or no relief for a significant number of City of Toronto property taxpayers. (11)	

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
15. Property Tax Credit (cont'd)				
	R7 That welfare support payments be determined after taking account of funds available to a welfare recipient as a result of the Ontario Occupancy Cost Tax Credit.	Agree.		
Timeable for Reform				
1975 market value assessment for 1978 taxation.	R1 That a revised property tax system based on 1975 market value assessment be implemented in 1977 for application in 1978.	1977 market value for 1979 taxation or 1975 market value for 1978.	Same as AMO. (1, 2, 3, 4) Disagree because of reference to market value assessment. (5)	1975 market values be introduced in 1978 for implementation in 1979.
Assessment notices for 1978 taxation will be sent to property taxpayers in the early summer of 1977.	R2 That 1975 market values be shown on the 1977 assessment notices even in the event of a further postponement in the implementation of tax reform.	Agree, but if 1979 implementation 1977 values should be released by March 31, 1978. For analysis, 1975 market values should be released immediately.	Same as AMO. (1, 2, 3, 4)	1975 market values be shown on 1978 assessment notices for 1979 taxation.
	R3 That a phasing-in of the new tax system be a phasing-in of the effects on taxes and not a phasing-in of the tax reform measures themselves.			Phased-in provisions be provided, as necessary.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
<u>Timetable for Reform</u> (cont'd)				
	R4 That the Government provide technical support where required in order to assist in the effective implementation of the tax reform measures.	That the Government provide at local discretion, technical and/or financial support.		Technical support be provided as required.
	R5 That the Government apply expenditure guidelines to all local bodies in order to ensure that changes in assessment and tax reform measures not be used as camouflage to hide extraordinary increases in local spending, and that ratepayers be informed of such guidelines in a meaningful fashion.	Disagree. Decisions should be based on ratepayer opinion. Have upper and lower tier and school boards publish budgets in year to year comparative form in press.	Same as AMO. (1, 2, 4)	Municipal and school board expenditures and tax levies be subject to Provincial approval for the first year.

Budget Paper E	Blair Commission's Recommendations	AMO Response to Blair	Other Responses to Blair	Alternative System
<u>Timetable for Reform</u> (cont'd)				
	R6 That legislation permitting a municipality to forward to each ratepayer a separate tax bill for municipal and school board purposes, be rescinded.	No comment at this time.		Not a tax reform issue.
		The Province appoint a Provincial-Municipal Committee to provide assistance with the information program.	Same as AMO. (2, 3, 4)	A Provincial-Municipal Committee be set up to provide assistance with the information program.
		After the tax reform bill is introduced, set up a committee of municipal administrators to review administrative aspects.	Same as AMO. (2, 3, 4)	After the tax reform bill is introduced, a committee of municipal administrators be set up to review administrative aspects.
		That all assessing and taxing legislation be brought together in two separate acts.		New legislation should bring all local government taxing provisions together in one act which would be separate from assessing provisions.

APPENDIX B

1976 TOTAL PROPERTY TAX LEVIES:

PRESENT SYSTEM AND ALTERNATIVE SYSTEM COMPARED

NOTES

1. Property Tax Contributions

   a) 1976 Present System

      i) Total taxpayer contributions do not exactly equal levies shown on 1976 financial reports, because some supplementary taxes and all taxes and charges not levied by mill rate are excluded, and because some area rates have been averaged. In addition, some amounts shown as taxes on financial reports are paid by governments and are classified as such in this analysis.

      ii) Farm taxpayer contributions include taxes on farm residences and farmland, net of farm and forest tax rebates.

      iii) Business assessment rates for commercial and industrial properties are shown without brackets.

   b) 1976 Alternative System

      i) Total Property Taxpayer Contributions for individual municipalities do not equal those in the 1976 Present System due to:
         - changes in Provincial tax contributions and grant contributions
         - changes in Provincial grant contributions to the upper tier municipality (where appropriate) and to school boards supported by the municipality
         - changes in the apportionment of upper tier and school costs
         - minor changes due to local government tax contributions, where a municipality's receipts from its share of taxes on upper tier and school board properties are different from its share of upper tier and school board apportionments

         For the Provincial Total, Total Property Taxpayer Contributions under the Alternative System equal those under the Present System, because increases in Provincial tax contributions are fully offset by grant decreases, and apportionment shifts are not relevant.

      ii) Farm taxpayer contributions show taxes on farm residences only.

      iii) Business assessment rates for commercial and industrial properties are shown in brackets.

2. Provincial Government Tax Contributions

   The 1976 Present System shows 1976 payments in lieu of taxes, plus farm and forest tax rebates. The 1976 Alternative System shows full payments in lieu on all properties and 100% payment on farmland, managed forests and managed marshes.

3. Local Government Tax Contributions

   The 1976 Present System includes only amounts received in 1976 from other municipalities. The 1976 Alternative System shows full taxes on municipal properties and 50% of full taxes on school board properties. The remainder of taxes on school board properties is shown as paid for by the Province through the grant system. The 50% rate is a simplifying assumption: the actual rate will vary from board to board.

   Except where a municipality's receipts from its share of total taxes on upper tier and school board properties are different from its share of upper tier and school board apportionments, local government tax contributions do not affect property tax contributions, because the taxes paid by local governments must be met from increased levies on all taxpayers.

4. Provincial Grants

   Under the 1976 Present System, grants to individual municipalities and upper tiers include all current and capital grants shown on 1976 financial statements. Grants to school boards are 1975 grants to all boards serving the municipality (1976 data are not yet available). For the Provincial Total, 1976 grants were taken from the "Blue Book."

   The redistribution of grants under the Alternative System is as follows:

	$million
. 1976 resource equalization grants to municipalities were adjusted to pay grants to both upper and lower tier municipalities. The assessment standard was adjusted to the market value figure of $18,974 per capita. Total effect province-wide..	4.0
. Other 1976 municipal grants, both conditional and unconditional were reduced a flat 10%. Total effect province-wide..	(108.6)
. 1975 school grants were adjusted for new, standard assessments per pupil based on market value assessments. Grant rates were adjusted to give an overall decrease in grants of $257.9 million. Offsetting this is an increase in grants of $77.3 million, based on 50% payment of taxes on school board properties. The total province-wide net decrease in school grants, equal to the estimated increase in Provincial Government tax contributions for school purposes..	(180.6)
TOTAL GRANT DECREASE, equal to increase in Total Provincial Tax Contributions..........................	(285.2)

5. For all individual data items, the sum of the individual municipality analyses will not exactly equal the totals for the Province since adjustments for grants redistribution and shared cost apportionments have been prepared independently of the Provincial Total analysis.

6. For all municipalities in each upper tier taken together, the total increase or decrease in Total Property Taxpayer Contributions should balance the total decrease or increase in Provincial grant and tax contributions. However, this balance will not always be exact because of simplifying assumptions in the computer simulation.

Provincial Total

$ Millions

		1976 Present System	1976 Alternative System Estimates	Dollar Change
Property Taxpayer Contributions				
Single Family Residences, including Condominiums and Cottages		970.3	890.4	(79.9)
Multiple Residences		335.4	217.5	(117.9)
Subtotal Residences		1,305.7	1,107.9	(197.8)
Commercial and Industrial				
Distillers	140(140)	7.9	4.6	(3.3)
Financial, Wholesale & Brewers	75(100)	120.4	101.2	(19.2)
Industrial	60 (90)	351.7	353.0	1.3
Professional & Retail Chains	50 (60)	201.2	186.8	(14.4)
Retail & Commercial	30 (30)	280.4	297.8	17.4
Car Parks	25 (30)	24.1	33.4	9.3
Subtotal Commercial and Industrial		985.7	976.8	(8.9)
Farms		61.7	45.0	(16.7)
Vacant Residential and Commercial Land		54.1	174.0	119.9
Vacant Commercial and Industrial Properties		44.6	55.8	11.2
Lodges, Clubs and Associations		13.6	23.2	9.6
Railways		13.6	22.1	8.5
Transmission Lines		21.2	22.1	0.9
Federal Government		67.5	111.2	43.7
Ontario Hydro		15.7	44.8	29.1
Municipal Public Utilities		17.3	17.8	0.5
Total Property Taxpayer Contributions		2,600.7	2,600.7	-
Provincial Government Tax Contributions				
Provincial Properties		14.1	55.9	41.8
Ontario Housing Corporation		32.8	21.8	(11.0)
Provincial Enterprises		9.1	28.7	19.6
Universities and Colleges		11.0	61.2	50.2
Hospitals, Jails and Other Institutions		4.0	30.0	26.0
Farm and Forest Land		41.4	200.0	158.6
Total Provincial Tax Contributions		112.4	397.6	285.2
Local Government Tax Contributions				
Municipal		2.2	122.1	119.9
Education (excluding part paid by Province through grants)		-	77.3	77.3
Total Local Government Tax Contributions		2.2	199.4	197.2
GRAND TOTAL		2,715.3	3,197.7	482.4
Total Provincial Government Contributions				
Tax Contributions		112.4	397.6	285.2
Grants, including $77.3 million for education property taxes		3,012.0	2,726.8	(285.2)
Total Provincial Contributions		3,124.4	3,124.4	-
Average Taxes per Residence				
Single Residences		549	504	(45)
Multiple Residences		368	238	(130)
Farm Residences		N.A.	337	N.A.

SEE ATTACHED NOTES